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# THE JOURNAL OF POLITICAL ECONOMY

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## THE STUDY OF POLITICAL ECONOMY IN THE UNITED STATES.

### I.

Whatever the undoubted progress in the development of economic instruction in the United States which may have taken place in the last fifteen years, and whatever may be at present the inquiring and even eager interest shown in the subject by vast numbers of people, both within and without our schools of learning, the fact must be frankly acknowledged that the influence of scientific economic thinking in the United States has little or no authority with the masses of the people. Although it may be true, moreover, that never in our history has there been so generous, so earnest a desire on the part of the intelligent classes to consider means for practically improving the condition of the poor and the unfortunate, yet it remains indisputable that the scientific point of view and the careful investigation which should precede dogmatic assertion, are not wide-spread. The increase from year to year in the number of charity organizations, of the practical means of improving mankind, of the deep and real interest in the welfare of the dependent classes, is distinctly marked and shows no signs of abating. Yet it is equally clear that exact and definite thinking in economic and social subjects is confined to a relatively small number of persons. While the expansion of departments of Political Economy in old institutions and their creation on a generous scale in new ones, may be taken as an indication of a

greater desire to learn to think correctly in these subjects, it is probably equally true that never in our history have venerable fallacies and misinterpretations of economics been more widely current. The attitude of preponderating masses of the people toward monetary and banking questions shows clearly enough the real extent and intensity of ignorance and the general lack of training in Political Economy.

We seem to be passing through what may be called an exceptional development of the heart without a corresponding development of the head. Through all classes of people there seems to have run a contagious epidemic of sentiment which has arisen from a really high and noble moral purpose. Persons of sensibility, refinement and intelligence have been touched as never before by a strong desire to do for the classes below them. So fine and so lofty has unquestionably been the purpose behind this movement, that it seems ungracious, if not unjust, to hint at a possible improvement in it; and yet the ascertainment of the causes of things and the subsequent remedying of evils can be advanced only by the most rigorous, logical, and scientific investigation. Lofty as the well meaning purpose of many persons may be, still, if founded only on a sentimental basis, it may be as dangerous as error. It must remain unmistakably clear that the advance of economic thinking and the spread of sound ideas among us can be attained in no way so effectively as by criticism, examination, and judicial coolness. Advance in the subjects which touch human interests profoundly, more than in the physical sciences, is likely to be retarded by personal and sentimental reasons; and yet the practical gains of mankind from the work of physicists and chemists must necessarily have been preceded by the purely scientific investigation of the abstract principles of their sciences. Science must exist before there can be applications of science.

These reflections may perhaps make clear some of the peculiar phases of economic study and writing in the United States in the last fifteen years. It may explain not only the great success and popularity of some writers who have appealed largely to the

sentiment rather than to the scientific thought of the country; but it may also explain more or less the inability of efficient economic writing to control or modify public opinion. Certain it is that expositions by men of high abilities and scholarship have had little or no influence on thinking in general. No one in the United States should indulge the hope of attempting to reach the great masses of men, or of such classes as the working-men, through the usual channels of economic writing. Scientific ideas can be disseminated through books and magazines only to a limited circle of intelligent readers. The great working classes can be reached only by the literature which comes from within their own ranks.<sup>1</sup> The exceptional circulation of Henry George's "Progress and Poverty" was largely assisted by the fact that its author himself came from the ranks of the working-men.

While it is wholly unnecessary to explain that ethical and moral considerations have not only an important but a dominating influence in stimulating efforts for reform, yet science must still concern itself with the inquiry whether those efforts are based upon proper elementary principles. That we shall all sympathize with and unite most sincerely in the warmhearted, generous spirit of the present day it is of course unnecessary to show. But, while on every side we hear expressions indicating a general and vague belief in the great importance of economic studies, vast masses of even intelligent people know little or nothing as to the scope, method, and principles of scientific economic work. This fact, however may not seem so unnatural when we realize that the very youth of this subject in America may account in some degree for the existing looseness of thinking in Political Economy. For so short a time has Political Economy been considered as a serious study of educational and practical importance in our

<sup>1</sup> An illustration of the one-sided reading of the strikers at Homestead may be seen by their address of July 22, 1892: "The public and the employees aforesaid have equitable rights and interests in the said mill which cannot be modified or diverted by due process of law. . . . The employees had the right to continuous employment in the said mill during efficiency and good behavior," etc.

schools of learning, that its influence cannot yet have been very considerable. How little Political Economy and Finance were taught only fifteen years ago, as compared with the teaching of to-day, must be surprising even to those who have lived and taught in the subject during that period. In another place<sup>1</sup> the present writer has explained that the mental activities of our country in the periods before the civil war were mainly absorbed with purely political questions, chiefly those of slavery; but that out of the great sacrifices of the civil war came the actual creation of a popular interest in economic and financial studies. By our blunders in taxation and finance we were startled into a consciousness of our ignorance and lack of economic training. At the close of the war courses of economic study had practically no existence in the university curriculum; in short, the studious pursuit of economics in our universities is scarcely twenty years old. These considerations alone might be reasons why economic teaching has not yet been able to color the thinking of our more than sixty millions of people. But about the close of the first century of our national existence it may be said that the study of Political Economy entered upon a new and striking development. This is certainly the marked characteristic of the study of Political Economy in the last fifteen years. How great this has been may be seen from the tables giving the courses of study, respectively, in about 60 institutions in the year 1876 and in 1892-3. (See Appendix I.) The aggregate hours of instruction in 1892-3 are more than six times the hours of instruction given in 1876.

It is interesting to note that although in this country the new-born interest in economics first came into existence through the necessity of considering questions of money and finance,<sup>2</sup> which

<sup>1</sup> *The Study of Political Economy*, chap. i.

<sup>2</sup> While the first insight into the principles of Political Economy in the sixteenth century came through the practical problems involved in the great importation of the precious metals into Europe from America, the masses of the American people of today have received their first insight into economic principles through the discussions of monetary questions.

led to great political discussions and formed the staple of agitation in the halls of Congress, there was soon after 1876 a leavening of economic apathy throughout the whole country, due to the strikes and the activity of labor organizations. This was distinctly the beginning of a general interest in industrial and social questions, in which ethical, moral, and religious forces have been warmly enlisted. Whether the participants in the discussion were well-grounded or not in the study of social and economic principles, clear it is that, in the organs of public influence, the pulpit and the press, dogmatic statement and vigorous denunciation have been only too frequent. The extensive hold which this kind of writing and teaching has obtained upon the country may be partially explained—apart from the inability of persons untrained in economics to examine such statements logically—by the unmistakable prejudice of men in the so-called practical occupations against the value and usefulness of academic training. The scientific student of Political Economy has often been contemptuously waved aside by the man of affairs as a doctrinaire. But the expansion of the courses of study, the development of the true university spirit with its love of truth, and the bringing of the education of the university into touch with the real life of our people, have been slowly undermining this erroneous estimate, and giving to scientific study its proper place of influence in this as in the other sciences.

But the gap between the results of economic study and their general acceptance is certainly due far more to another cause, lying deeper in the nature of the study itself. This cause is the general misunderstanding as to what economic principles really are. This point is worthy of explanation, and for this purpose the nature of economic principles may be illustrated by comparing them with the principles of thermo-dynamics. We know, for example, that there is in existence a body of abstract rules according to which all steam-engines must necessarily be constructed. The engine which could be built in exact accordance with these rules would be the ideal engine; but we do not need to say that the ideal engine has never been built; because the

actual conditions under which an engine is built prevent us from obtaining a perfect combustion of coal, or the full effect of all the kinetic energy created. The general abstract rules, clearly enough, say nothing as to the particular facts of each case in which an engine is built, such as the allowance for friction, or for the condensation of steam, which necessarily differ in each case considered. Thermo-dynamics, therefore, is not a body of concrete truth. Nor is Political Economy a body of concrete truth: it does not pretend to be a statement of fact, or a description of actual conditions, or even of future ones. It is a means of analyzing the play of economic motives, of measuring their force, of discovering and explaining the relations between concrete truths, and of ascertaining their causes and effects. It requires, therefore, not merely industry and patient labor, but the most systematic and correct kind of reasoning.<sup>1</sup> The practical result of applying this body of principles, when obtained, to the given conditions of any particular country, at any given time, will depend upon what the facts are in each case—just as in the case of each particular steam-engine. The reason why we cannot foretell<sup>2</sup> economic results is because in each future case the facts, although similar to past cases to the casual observer, are in reality different. If we could be certain of all the facts affecting the case, we could prophesy; but in the nature of things we never can be sure of them.

<sup>1</sup> "In fitness for place in an educational curriculum, economics perhaps surpasses all other studies, through the remarkable combination which it involves of mental discipline with practical utility. Each of its propositions requires careful thought, while certain of its reasonings challenge the highest powers of mind."—E. BENJ. ANDREWS, *Institutes of Economics*, p. 28.

<sup>2</sup> "The realization of the results described is contingent, in each case, on the action of contemporaneous agencies influencing the course of events, but not included in the economic premises. In short, the economic prevision is a prevision, not of events, but of tendencies—tendencies which would be liable, in a greater or less degree, or even completely, to be counteracted by others of which it takes no account. . . . This incapacity, however, of forecasting events, let it be noted, argues no imperfection in economic science; the imperfection is not here, but in those other cognate sciences to which belongs the determination of the non-economic agencies which are the unknown quantities in the problem."—J. E. CAIRNES, *Essays in Political Economy*, pp. 305-6.

## II.

Passing from the consideration of the reception of economic teaching by the public, it will be interesting to note any change in the points of view by economic writers which may have taken place during the period in question, from 1876 to the present day. Although economic writing in the United States reflects clearly enough the changes of attitude toward economics noticed in other countries, yet it has some distinguishing characteristics. Their vigor, freshness, and productive activity have drawn considerable attention to American economists within this period. In short, the beginning of the second century of our national existence is signalized, not only by a striking increase of interest in economics, but by a large increase in publication, the appearance of new journals, and the rise of many young leaders of ability.

Some years ago the reaction in Political Economy appeared here in its full strength,<sup>1</sup> but there are evidences at present writing that it has considerably spent its force. For a time there was a distinct division of economists into two separate camps. This came about through the introduction into the United States, mainly by pupils of Conrad, of the German point of view with regard to the two subjects of economic method and state interference.

In regard to the method of investigation in Political Economy, writers of the different groups were naturally not always in accord. General Walker, for example, adopted quite fully the accepted methods of investigation outlined by Cairnes in his *Character and Logical Method of Political Economy*; but other and younger writers made violent attacks upon the old method of investigation, denouncing it as ineffective and wrong in principle.<sup>2</sup>

<sup>1</sup> The relation of this reaction to the continuity of development of economic thought has been admirably stated by Professor DUNBAR, *Quarterly Journal of Economics*, Oct., 1886.

<sup>2</sup> "The method may be imperfectly applied by those who profess to use it, the conclusions reached by its means may be misinterpreted; but it is in itself a process of careful investigation of causes and effects, naturally tending to the establishment of



Following the extreme wing of German writers, they proposed to carry bodily the newly developed historical method, which had done yeoman's service in history and jurisprudence, over into economics.<sup>1</sup> The progress of economic scholarship in these last fifteen years has clearly brought about a saner and less extreme point of view. Out of all the discussion it has become apparent that in reality there is not so much divergence of opinion as at first appeared regarding the two methods of investigation under examination. There exists a more general acquiescence in the belief that there is no great difference between the so-called inductive and deductive methods when in actual use by economists, nor as to the methods which have been successfully used in the past<sup>2</sup> in creating the existing body of principles; so that it has become possible for many writers to come closer to each other and find many common grounds of interest and of mutual assistance. This result was naturally to have been

that orderly body of verified truths which is called a science. It is, in short, a strictly scientific method of approaching one great set of problems presented by the life of man in society. Other methods of approaching the same subject-matter may conceivably be used, but it is pure arrogance to claim for any other that it is *the* scientific method."—C. F. DUNBAR, *ibid.*, p. 9.

<sup>1</sup> The origin of the Historical Method began early in this century. The study of institutions was revolutionized by a movement originating in 1814 over the adoption of a universal legal code for Germany. Savigny asserted, and modern historical and comparative jurisprudence to-day confirms, the error of trying to impose an ideal code of law (like the Code Napoleon) upon a people from outside inwards, when the law should express and record the unconscious growth of custom and action natural to the people, coming from within outwards. Law and institutions—*i. e.* history—therefore, must be studied to know the origin and growth, the proper sequence, of a people's conception of law. This great truth of Savigny's was the origin of the "Historical Method." It was the comparative study of institutions in cognate stems and tribes which was developed in the brain of Sir Henry Maine into the brilliant promises of comparative jurisprudence. The collection, grouping, and explanation of facts, of recorded events, presented a splendid field for the inductive or "historical," as opposed to the deductive, method.

About 1840–1850 some acute Germans proposed the use of the Historical Method in Political Economy. If the subject matter of Political Economy were the same as that of History, then the same successful results might be expected. No one, however, would think of treating the origin of the trial by jury in the same way as the law of diminishing returns from land.

<sup>2</sup> The great masters certainly—Adam Smith, Malthus, Ricardo, Mill and Cairnes—

expected when men came into contact with a science already of some age, which had had a distinct continuity of development for over two centuries. Inasmuch as the science also had not, of course, reached perfection, persons who proposed a new or antagonistic point of view, naturally found in the science vulnerable points of attack; and these attacks have been stimulating to the development of the science, because they have caused further examination of fundamental postulates, and drawn attention by severe logical processes to the proper statement of principles. The more rash of the modern writers who may have considered that the thinking of the past two centuries had been futile, that the science has had no continuity of development, and that all must be overthrown for a new start, fell into the error of mistaking correction and amplification for total reconstruction. They erred in supposing that the possibilities of progress and improvement necessarily meant revolution.<sup>1</sup> The caustic criticism which had been directed against existing economic knowledge because it was too abstract, because its conclusions were stated in too absolute a form, and because Ricardo had been held responsible for a perfection of human thinking which had never been ascribed to him, is less common; especially since Marshall's recent appreciation of Ricardo.<sup>2</sup> These differing statements, however, coming from professed economists, helped the general public to conceive of Political

never discountenanced the use of facts. The author of a "Theory of Moral Sentiments" pushed far into the realm of industrial facts; and Ricardo, a successful man of business, surrounded by concrete data, naturally sought to express his results in the abstract form, stripped of the concrete. The two men supplemented each other. John Stuart Mill, himself stirred by a desire to study how to ameliorate the condition of the poor, made that statement of Political Economy which really began the modern ethical movement. In the period just before Mill, however, Political Economy had hardened into repetitions of past accomplishments, blind generalizations, and real over-confidence in the completeness of the study; but Mill really gave the initial push toward modern views by seeking to draw economics more nearly to actual life.

<sup>1</sup>The situation in economics brings out interestingly the operations of mind similar to those which are so familiar to students of political history when the methods of radicalism are strongly contrasted with the methods of constitutional agitation.

<sup>2</sup>*Principles of Political Economy*, vol. i.

Economy as hopelessly adrift and purely academic in its speculations. This impression, it may not be too much to say, is gradually disappearing with the clearer understanding that the two methods of investigation are not so different as they were first made to appear.

Dr. Adolph Wagner gives us reason to believe that moderation is also characteristic of the situation in Germany. His statement<sup>1</sup> here given, taken together with his very recent adhesion to the methods associated with the name of Dr. Karl Menger and the Austrian school (printed elsewhere in this number) is a most significant and striking event.

"I take the opportunity to address a word of protest against the belief, which not infrequently is entertained among foreigners, that all German economists approve of the patronizing and pretentious attitude toward English writers, and especially those of the classic school, which is taken by some of the extreme German representatives of the historical school. . . . It is true that most of us in Germany are in-so-far members of the historical school that we point to the need of induction side by side with deduction; that we warn against hasty generalization, against exclusive reasoning on the basis of economic self-interest; that in practical problems we have no faith in any absolute solutions, and insist on the principle of relativity. But, like myself, many German scholars, old and young, even those whose own researches are directed mainly to economic history, believe it to be false and narrow to go to the other extreme, and to fling aside deduction from assumed motives, and especially from the motive of self-interest. We could not limit Political Economy to the mere presentation of the various historic stages in the application of labor, nor do away with all abstract thought or abstract statement. We do not assume that tone of condescending judgment on the works of Adam Smith, Malthus, Mill, Ricardo and his school. . . . Those who do adopt this tone not infrequently show that they have not sufficiently studied, or else have not rightly understood, the works of the masters whom they despise, more particularly Ricardo. For this reason, and from their inability or indisposition to enter into abstract reasoning, they are not competent, for all their pretentious attitude, to reach a just and impartial conclusion. . . . Logic is the weak side of the extremists of the younger school."

<sup>1</sup> Dr. Adolph Wagner, of the University of Berlin, whom Professor Ely describes ("The Past and Present of Political Economy," p. 52) as "the corypheus of German economists" gives this statement in a review of MARSHALL'S *Principles of Political Economy*, in the *Quarterly Journal of Economics*, April, 1891, pp. 319-321.

As an illustration of the change of tone toward the general principles of Political Economy apparent in this country, the facts in regard to the doctrinal attitude of the American Economic Association are quite striking. Organized in the beginning by a group of men who felt that their views had not had respectful attention, and hoping to forward in this country the doctrines of German origin in favor of the new historical method in economics and the principle of state interference, so familiar to the European mind, their membership was originally confined to those largely in agreement with those views. In the first draft of their constitution was a creed declaring in favor of state interference.<sup>1</sup> Gradually, however, the association became broader and withdrew any required subscription to particular phases of belief. During the present year a change in officers has indicated a still greater breadth of view, inasmuch as the newly elected president could not be said to belong to the once-called "new school." This action is significant in showing that out of discussion, calmer thinking, and deeper scholarship, American economists have found much more in common, both as regards method and the attitude of the state toward industry, than had been originally supposed. Personal considerations have given way to larger views of scholarship and to a higher interest in the development of economic study throughout the country.

Turning to the attitude of American economists on state action, we find that the lines were hastily drawn in the beginning without careful deliberation. The views which must come from large historical experience have made it apparent that the early English writers themselves had never claimed—what is sometimes ascribed to them—any sacerdotal character for *laissez-faire*. At first extreme views were ascribed to many writers; but more careful examination has made it clear that Adam Smith,

<sup>1</sup>"We regard the state as an educational and ethical agency whose positive aid is an indispensable condition of human progress. While we recognize the necessity of individual initiative in industrial life, we hold that the doctrine of *laissez-faire* is unsafe in politics and unsound in morals;" etc. cf. C. F. DUNDAR (*Quarterly Journal of Economics*, Oct., 1886, pp. 20-3), now the President of the American Economic Association.

Ricardo and Cairnes<sup>1</sup> had never adopted *laissez-faire* as a principle of action; and it would now seem as if, on the other hand deliberation had made it equally clear that state interference could no longer be urged on the ground that it was a principle of action. So many questions must necessarily be settled on their merits, that any extreme statement in the direction either of *laissez-faire*, or of state interference, intended to cover all cases, was naturally impossible;<sup>2</sup> therefore, some economic writers in the United States who urged the extreme doctrines of state interference, and thereby allied themselves with other socialistic movements of a less scientific character, cannot be said to represent the general drift of economic thinking in the United States; and

<sup>1</sup>“Adam Smith, as is often recalled in a different connection, gave his sanction to interference in the two test cases of the navigation acts and of protective duties in certain cases. Malthus supported the protective duties on British commerce. Senior, dealing with such practical subjects as distress among the hand-loom weavers and the reform of the poor laws, reached conclusions and made recommendations often entirely inconsistent with any idea of *laissez-faire*. Even McCulloch, anxious to uphold the maxim *pas trop gouverner*, still commended some legislation on factory labor, on the dwellings of the poor, and on employers’ liability. Mill, first or last, suggested legislation as the cure for pretty nearly every evil not deemed positively incurable. . . . And Cairnes finally went so far as to declare expressly that ‘the maxim of *laissez-faire* has no scientific basis whatever, but is at best a mere handy rule of practice, useful, perhaps, as a reminder to statesmen on which side the presumption lies in questions of industrial legislation, but totally destitute of all scientific authority. . . . It is plain, in short, that, not only logically, but according to the practice of leading economists, the maxim of *laissez-faire*, whatever validity we assign to it, has to do only with the practical applications of economic reasoning, and has no place as a part of the reasoning itself. . . . *Laissez-faire* is no part of the logical structure of the old economic doctrine. The most rigid Ricardian may accept or reject it, equally without derogation from his purity of doctrine.”—C. F. DUNBAR, *Quarterly Journal of Economics*, October, 1886, pp. 21–22.

<sup>2</sup>“There is no strict or universally binding rule that can mark off the area of its action. The protest of *laissez-faire* was directed against the policy of continual interference. The intervention of the public power should, however, be only admitted on clear and definite proof of its advantage.”—BASTABLE, *Public Finance*, p. 99.

“The admitted functions of government embrace a much wider field than can easily be included within the ring fence of any restrictive definition, and that it is hardly possible to find any ground of justification common to them all except the comprehensive one of general expediency.”—J. S. MILL, *Principles of Political Economy*, B. v., Chap I, § 2.

their authority will depend solely on their individual power and force. While labor organizations have developed many shades of views which grade insensibly into socialism, and while schemes like Nationalism appear from time to time, these movements go on outside of the general trend of economic thinking, and are more or less ephemeral.

Of a somewhat different character is the cult connected with the writings of Henry George. Although his doctrines are not supported by nearly so many persons of standing and education as in England, yet there is a number of the same class in the United States who have believed and crusaded with Henry George, exclusive of the considerable following among the laboring classes, more strictly so-called. Some advocate his views from the point of view of the "single tax" on land, and others from a humanitarian point of view connected with bettering the condition of laborers; but on the whole his influence is not on the increase. Many economic students find insuperable difficulties with his fundamental positions on capital and the shares of the participants in distribution. Yet to Henry George must be given the credit of having stimulated the interest in Political Economy by his writing to an extent not to be assigned to any other writer in this country.

Not only have intelligent students of economics held divided counsels on questions of method and state interference, but some have urged that that Political Economy was "cynical" and "heartless" which confined itself to a study of what is, even though that was preliminary to a study of what ought to be. Here again, a better understanding is apparent. It becomes very clear that possibility of change implies a knowledge of the thing to be changed; that a knowledge of the existing economic system is a condition precedent to any ethical reforms. Certain impatient people find it difficult to wait to acquire the knowledge of what is; and, unequipped, proceed rashly to say what ought to be. Now of the aims of each of these classes of students, it is clear they are equally praiseworthy; nor can the students of what is, properly be called hard-hearted, because they differ from others solely as to

the *order*<sup>1</sup> in which ethical subjects are taken up; the less so, when it is seen that a social problem contains elements which are, as the case may be, mainly economic, or ethical, or political, or in a varying combination of these. The student of social questions can no more ignore the economic than he can the ethical or political considerations. And as these conceptions come more clearly into view, the less is there of expostulation and dissent among economic students. Opposition disappears in breadth.

### III.

The prospect for progress in economic thinking in the United States is, without doubt, conditioned not only by national characteristics of mind and treatment, but by the extent and variety of the economic phenomena. The marked advance of scholarship in the last few decades has, of course, shown itself in Political Economy, and the two necessary qualities for an economist,—the academic and logical training essential for strict reasoning, together with the practical intuitive grasp of industrial facts in their proper relation to principles,—seem to be quite as much the possession of Americans as of the English, or of other nations in which Political Economy has had a marked growth. When we pass to the physical conditions of our industrial life, to the extent of the opportunities for economic study and investigation, the prospect is so vast as to be almost bewildering. Particularly is this true in the general subjects of transportation, agriculture, socialism, taxation, public finance, banking, monetary systems, and statistics. The exceptional extension of railway and water

<sup>1</sup>“The economist, it is charged, carefully ignores all higher purposes and duties, that he may devote his thoughts to the pursuit of wealth alone. But need it be explained that, in this alleged divorce, the only question really at issue is one of classification,—a question as to the drawing of a line for purposes of nomenclature between several fields of thought, all of which, it is admitted, must be traversed before action can be decided upon? . . . It is only when the economist undertakes to apply his conclusions in disregard of other aspects of the political or social questions before him, and treats these questions as problems in political economy only, that there is room for the reprobation of his neglect of ethical considerations; and, in this case, he is sinning against the law implied in his own method.”—DUNBAR, *ibid.*, p. 8.

transportation in the United States place us above all other countries in the world. These questions, moreover, are of dominating importance in our political and social existence, and touch the economic needs of our people at almost every point in their daily life. Not only are the questions arising out of the modern growth of large production and the control of enormous capitals under single management destined to play a great part in our history, but these questions may be said to be as yet not at all understood by our people. The quasi-public character of the large corporations connected with such enterprises has drawn theoretical students into extremes of position toward *laissez-faire* on one hand, and toward state interference on the other; while the genius and inherent characteristics of our people must inevitably tend to strengthen local and individual powers as compared with those of the state. In addition, the power and extent of inland navigation and the development of internal mineral resources, are still modifying pre-existing systems of transportation and industry. The effects are seen on a large scale. Large districts of our country, once prosperous agricultural communities, have, with the growth of the transportation system, been completely changed in character. Not merely New England, but the once rich and fertile region of eastern Pennsylvania, as well as other portions of the Eastern States, have been brought into close competition with the wide ranges of grain fields beyond the Mississippi. Values have fallen, numbers have diminished, and methods of production have been entirely changed.

Questions of charities, the conditions of the poor, and the practical means of assisting in the amelioration of the ignorant and unfortunate classes, have received large attention and produced voluminous writing in the newspapers and magazines. The development of schemes for reaching the poor in the more densely populated and poorer parts of our great cities, has attained a point of intelligence and efficiency unknown a few years ago, Aiming to enrich the lives of those who have had little but monotony in them, and who have been surrounded by crime and



vice, they have been bringing into the service people of generous hearts, fine sensibilities, and noble aspirations. The growth of these movements is highly significant of the aroused interest in economic and social problems. In these subjects experiments carried on in this country are full of instruction and enlightenment.

Passing to questions of labor organizations, never before with us has a labor organization risen to such power as that of the Knights of Labor. At first, eschewing politics, they engaged in the great struggle of the southwestern railway strikes of 1886, against a corporation headed by a great capitalist. Although supported by public opinion, an unfortunate resort to violence against life and destruction of property, weakened their influence. When the outbreak by the anarchists occurred, at Haymarket Square in Chicago, even though they included in their ranks many socialistic groups, so strong was the repudiation of acts done outside of the law, that the Knights of Labor felt obliged publicly to disavow any interest in these movements. The next means adopted by them for furthering their purposes was the boycott, at first believed to be the most powerful weapon which organized labor had ever used. This, it need hardly be said, was soon covered by the law of conspiracy, and the decisions of the courts obliged them to give up this means of accomplishing their purpose. Finally they have been led to enter politics, hoping by the election of special candidates to municipal, state and national bodies, to effect their purposes by legislation and political influence.

Numerous other organizations of labor of large influence have arisen, no small part of whose power is due to the conditions of a new country, in which the building and manufacturing trades are urgently needed in the immediate creation of products. The necessity of producing within a limited period of time gives to labor organizations a great opportunity for enforcing their demands upon producers and constructors. All in all, it may be said that, in the methods of maintaining its relative share of the product in the struggle with the owner of capital, labor is in a much more powerful position than ever before.

As to the increased possession of economic knowledge among the working classes, it can hardly be said that much progress has been made. The existing unrest is perhaps a hopeful sign, such as that of doubt in the religious growth of the individual. Through it they are likely to obtain larger wisdom and increased knowledge. But as yet it is certain that their leaders are not always wise, sagacious, or well instructed in our economic conditions; and, as a consequence, we are made familiar with such painful experiences as those which have occurred recently at Homestead and Buffalo.

On the practical problems of taxation and public finance, in which European countries have been most interested, the people of the United States have made little progress. It is true that a better quality of writing and thinking has been made accessible to our readers on such subjects; but the dense ignorance of cardinal doctrines of taxation, even among leaders in our legislatures, remains a marked characteristic of the present day. The management of municipal, county, and state taxation furnishes many instructive lessons, but chiefly those arising from blunders and mistakes. The so-called "single tax" theory is accepted by a relatively small number of people, and, probably, has little or no chance of ever coming into use as a practical method of taxation. A belief in the inequality of taxation on personal property is very wide-spread, but a practical remedy has not yet commended itself to most people. Serious problems of importance remain to be studied out and their results disseminated.

In the very interesting field of banking and monetary problems, the experience of the United States in the past has been rich in examples, and is likely to become richer in the future. The country has blundered into many of its good things in banking and money, and has also allowed itself to drift aimlessly into many unfortunate experiences from which it has been slow to escape. While in its early development all the phases of inconvertible paper were made familiar by bitter experience, and while loose methods of banking carried havoc to almost every State of the Union, yet the unique possession of the most successful

and satisfactory banking system which the country has ever obtained—a piece of drift-wood out of the civil war—has been regarded by many persons as no longer necessary to the best financial condition of the country, and it will probably soon hide its diminished head, or be organized on a different system, which may exclude its power to issue. The eccentric and illogical action of the United States on money questions has, for many well-known reasons, excited the inquiring comment of the whole world. Following the unskilled and untrained prejudices of people in large parts of the country, who are penetrated with the venerable fallacy that a gain of wealth can come through the mere increase of money, our legislation since the civil war has had an unenviable quality. There are signs, however, that in this field the usual victory of training and intelligence over ignorance and prejudice is possibly coming in the future. The greater dissemination of economic knowledge is doing something in this direction. As yet, however, national action is likely to be controlled, not by experts, but by politicians who use these subjects for their own purposes. The patchwork into which our currency has been constructed is hardly likely to be simplified and treated according to a scientific study of monetary questions for some time to come. Within this field, however, there is large opportunity for study and effective work; and many of our experiences yet lack the proper historian.

In the collection of material for the proper discussion of these questions, no field is larger or practically more fruitful than a scientific collection of statistical data. The writers who have urged the value of the “historical method” for Political Economy have done a valuable service, through the insistence on the verification of reasoning by facts, with the result that all statistical data are now more carefully and extensively gathered. A single state bureau in the United States, however, still continues to be almost the only one trusted for accurate and correct statistical methods; and in the collection of data by national authorities, accuracy, impartiality, skill, have not always been present. The methods of the National Bureau of Labor, however, distinctly com-

mand attention. The multiplicity and magnitude of industrial facts of every kind and character affecting our economic and social conditions, which should be collected, classified, and arranged for use by the economic and social sciences, are almost unlimited. The training of men in proper statistical methods is a work in which little has been done, but in which many opportunities exist.

From this brief review of the conditions of practical economic problems, it can be readily seen why new means of communication between the investigator and the public should be created. In view of the peculiarly attractive field for economic study in the United States; especially in view of the practical opportunities for investigation in the central states of the Union; and in view of the extent of the subject of Political Economy,—embracing, as it does, many subjects, each of which may well demand a scholar's life-work,—it has seemed that a distinct place exists for a journal of political economy which, while welcoming the discussion of theory, may be devoted largely to a study of practical problems of economics, finance and statistics. Inasmuch as existing scientific journals have a tendency largely towards discussions of theory, and as popular journals do not usually treat practical economic problems scientifically, the *JOURNAL OF POLITICAL ECONOMY* may, therefore, find for itself in the scientific study of this latter class a free field.

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